

## **CAPITAL PLANNING ADVISORY BOARD**

### **Minutes of the 2nd Meeting of the 2003 Calendar Year**

**July 31, 2003**

The 2nd meeting of the Capital Planning Advisory Board was held on Thursday, July 31, 2003, at 9:00 AM, and Friday, August 1, 2003, at 9:00 AM in Meeting Room A, Council on Postsecondary Education. Representative Perry Clark, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Albert Robinson, Co-Chair; Representative Perry Clark, Co-Chair; Senator Paul Herron Jr.; Representative Ron Crimm; James Deckard; Ben Fletcher; Bill Hintze; Sherron Jackson; Lou Karibo; Cicely Lambert; William May; Glenn Mitchell; Norma Northern; Laurel True; Garlan Vanhook; and Judge William Wehr.

Guests: Secretary Marcia Morgan, Cabinet for Health Services; Secretary Viola Miller, Cabinet for Families and Children; Executive Director Charles Harman, Office of Budget and Administrative Services, and Brian Easton, Facilities Manager, Workforce Development Cabinet; Deputy Secretary Glenn Mitchell and Commissioner Armond Russ, Finance and Administration Cabinet; Secretary Hank List, Natural Resources and Environmental Protection Cabinet; Brigadier General (Ret.) Les Beavers, Commissioner, Department of Veterans Affairs; Harvey Roberts, Senior Vice President and Chief Information Officer, and Howard Kline, Senior Vice President and Chief Financial Officer, Kentucky Lottery Corporation; Executive Director Stephen Reeder, Kentucky River Authority; Secretary Ann Latta, Tourism Development Cabinet; Secretary Carol Palmore, Personnel Cabinet; Brigadier General (Ret.) Larry Barker, Executive Director, Office of Management and Administration, Department of Military Affairs; Deputy Secretary John Lile, Justice Cabinet; Tracey Corey, Chief Medical Examiner; Deputy Commissioner Ken Dressman, Department of Corrections; Major Rob Miller, Chief Information Officer, Kentucky State Police; Commissioner Ronald Bishop, Department of Juvenile Justice; Deputy Commissioner Herb Bowling, Department of Criminal Justice Training; Chief Information Officer Aldona Valicenti, Governor's Office for Technology; Dr. Doug Whitlock, Vice President of Administrative Affairs, Eastern Kentucky University; Dr. Michael McCall, President, Kentucky Community and Technical College System; Dr. William Turner, Interim President, and Michele Brown-Rall, Director of Facilities Management, Kentucky State University; Dr. Ronald Eaglin, President, Morehead State University; Dr. King Alexander, President, Murray State University; Ken Ramey, Vice President of Administration and Finance, Northern

Kentucky University; Dr. Lee Todd, President, University of Kentucky; Dr. James Ramsey, President, University of Louisville; Dr. John Osborne, Associate Vice President of Campus Services and Facilities, Western Kentucky University; Sherron Jackson, Senior Associate for Finance and Equal Opportunities, Council on Postsecondary Education; Debra Gabbard, Executive Director, Office of Policy and Budget, Transportation Cabinet; and Secretary Marlene Helm, Education, Arts and Humanities Cabinet.

LRC Staff: Pat Ingram, Committee Staff Administrator; Mary Lynn Collins; Nancy Osborne, Dawn Groves, and Ben Brammer.

Senator Robinson welcomed members, presenters, and other legislators to the meeting.

Mr. True's motion to approve the minutes of the June 16, 2003 meeting was seconded by Mr. Hintze and approved without objection.

At the request of Representative Clark, Ms. Ingram reviewed the materials provided in the Overview section of the members' notebooks. They addressed the timeline for the 2004-2010 capital planning process, the required content of the agency plans, and the format for the two-day meeting. She also explained the materials that were provided in the notebooks regarding each agency plan to be reviewed. Finally, Ms. Ingram noted some trends and issues that staff had identified in reviewing the various plans. They included agencies indicating they could operate more efficiently and effectively if their operations were consolidated into a single location, the inclusion again of numerous projects from the last plan since few projects were funded in the 2002-04 budget, the increased number and cost of information technology systems due to the revised "system" definition, continued submission of proposals to use energy savings performance contracting, and reports of projects underway or proposed to be undertaken using approaches outside the usual state capital construction processes.

Ms. Ingram also briefly addressed the agency plans that contained few, if any, proposed projects. She said the new facility to relocate the Kentucky Higher Education Assistance Authority from leased space has been completed and occupied. She also noted that a plan has been submitted – for the first time – by the Northern Kentucky Convention Center. This state facility, which opened in 1998, is not currently attached to any agency of state government, but is reporting some minor maintenance project needs.

Ms. Ingram then proceeded to the review of the agency plans. In each instance (unless otherwise noted), a CPAB staff presentation of the agency's programs, facilities, and current projects as provided in the Staff Analysis and Comments document, was followed by a presentation from an agency representative and questions from the Board.

Cabinet for Health Services (CHS) – Secretary Marcia Morgan reviewed a handout, which had been prepared by the Cabinet and distributed to the members. She explained that the primary emphasis of the CHS capital plan was the timely maintenance of hospitals and facilities to protect the state’s infrastructure investment, continuation of high quality treatment programs for all individuals served, flexibility in addressing emergency situations and licensure issues that affect patient health and safety, and management of information technology to support Kentucky’s healthcare network in the most efficient manner possible.

After stressing the importance of maintenance and equipment pools for the Cabinet, Secretary Morgan proceeded to review the Cabinet’s top ten project priorities for the 2004-06 biennium. She noted that although the transfer of senior citizen centers to local communities, as recommended by the Board, had not been as successful as desired, CHS hopes to transfer the fourth of seven centers (Pike County) by the end of the year.

In response to questions from Mr. Deckard following her presentation, Secretary Morgan said the current delay in recording prescriptions in the Kentucky All-Schedule Prescription Electronic Reporting (KASPER) system is four to five weeks, but with the proposed upgrade of the system, that time would be reduced to two weeks.

Noting that one of the Cabinet’s proposals addressed an expected population reduction at Oakwood, Mr. True asked how much the population is projected to decrease. Secretary Morgan said it is difficult to determine. Individuals must be given the choice about living in the community, but Oakwood must also remain available for those who choose to stay in an Intermediate Care Facility for the Mentally Retarded. Mr. True also asked if the impact of Medicaid cuts on community mental health services will increase admissions at the state psychiatric hospitals. Secretary Morgan said capacity at the state facilities is constrained by available staffing which can only handle between 115 and 135 people regardless of the number who present themselves to receive services.

Also in response to a question from Mr. True, Secretary Morgan explained the approach that is being implemented in lieu of the Aging Client Tracking and Reporting System that was proposed in the last plan. She noted that the lower cost alternative is modeled after a system used by the Commission on Children with Special Health Care Needs.

Mr. Hintze commented that the entire focus of the CHS plan is on maintaining, renovating and repairing a very aging infrastructure, which is consistent with the priorities previously recommended by CPAB. However, the enacted budgets have not always been consistent with these priorities.

Replying to Mr. Hintze's question about the CHS laboratory in the state's Central Lab Facility, Secretary Morgan explained that the various labs perform totally different functions, and there are no shared administrative costs or equipment.

Representative Clark thanked Secretary Morgan. He then also commented on the maintenance emphasis of the CHS plan, and stated that he believes maintenance should continue to be the focus of the Board in preparing the statewide plan and in proposing legislation for the 2004 General Assembly. He said future maintenance needs are a given when facilities are constructed, and it is a wise use of the taxpayers' money to set aside funds to address these needs when they arise.

Cabinet for Families and Children (CFC) – Secretary Viola Miller explained that the CFC has leased facilities in every county and that as she has reported in the past, it is a constant struggle to maintain a level of adequacy in those facilities. However, progress has been made in upgrading the leased space. Again in this plan, priorities regarding leased space are based on health and safety issues, overcrowding, privacy and confidentiality issues, office consolidations, and anticipated growth.

Secretary Miller also noted that most of the Cabinet's buildings (other than some state-constructed child day care centers) have been transferred to other agencies, primarily the Finance and Administration Cabinet and the Department of Juvenile Justice. As such, the top priorities in the current capital plan are information technology items. She explained that CFC is very dependent on technology and that two major systems are old, legacy systems that need constant attention.

Senator Robinson asked which of the proposed projects are critical to the ongoing operations of the Cabinet. Secretary Miller said they are very concerned about the TWIST system because vendor support is likely to end in the next few years, and there is a federal mandate to have a state agency child and adult protective services system. Two-thirds of the cost of replacing TWIST would be from federal funds.

In response to Mr. Hintze's question, Mr. Mark Bengel (CFC's Chief Information Officer) said the expected life span of any replacement information technology systems that might be authorized would be eight to 10 years. He noted that the TWIST system is 13 years old.

Cabinet for Workforce Development – Charles Harman, Executive Director, Office of Budget and Administrative Services, and Brian Easton, Facilities Manager, presented the Workforce Development Cabinet's plan. After Mr. Harman's overview of the departments in the Cabinet and the facilities operated by those departments, Mr. Easton reviewed the proposed projects in the Cabinet's capital plan including five priorities listed for 2004-06, and a proposal to use federal funds to construct a new office building in Frankfort to house the Department for Employment Services (DES).

Replying to Senator Robinson's question about how much flexibility the Cabinet has in using federal funds that are proposed to finance a new DES building, Mr. Harman said the funds are a Reed Act distribution from the US Department of Labor, and there are very strict rules about its use. The Cabinet believes the funds can be used only for DES facilities and operations. Mr. Hintze asked if DES would have to be the exclusive occupant of a new building or if a larger facility could be constructed to relocate other agencies from leased space. According to Mr. Harman, the Cabinet has not contacted the Department of Labor to see if they would grant a waiver. Mr. Hintze said the State Budget Office would want to be involved in preparing such a letter.

In response to further questions from Mr. Hintze, Mr. Harman said they did not follow through on the proposal to sell the Lexington DES building when the offer was only about \$1 million as compared to an estimated value of nearly \$2 million. Space that is vacated when some employees relocate to the new Mayor's Job Training Center is expected to be occupied by other DES employees. Another occupant of the building, the Kentucky Community and Technical College System (KCTCS), is not expected to be affected by the relocation of other Lexington KCTCS offices to Versailles. (KCTCS employees in the DES building are associated with Central Kentucky Technical College, not the KCTCS system offices.)

Finance and Administration Cabinet – Glenn Mitchell, Deputy Secretary, and Armond Russ, Commissioner of the Department for Facilities Management, reviewed the Cabinet's handout that had been distributed to members. Mr. Mitchell explained that the overall direction of the Cabinet includes taking a more proactive statewide role in building/managing Kentucky's public facilities; placing more emphasis on efficiency in space usage, energy consumption, and functional consolidation of agency operations; renovating or re-using existing properties; and reducing reliance on leased space. His review of the functions and needs of various departments in the Cabinet was followed by Commissioner Russ's presentation on the projects underway and proposed by the Department for Facilities Management. In explaining the need for construction of a new state office building, Commissioner Russ said that – like many of the state-owned buildings - much of the space leased by the Commonwealth in Frankfort is aging and needs to be renovated, but there is nowhere to relocate the occupants. He said he has particular concerns about the Fair Oaks site, which is in a renovated distillery warehouse complex.

Senator Robinson asked about progress toward the goal of reducing the amount of space leased by the state. Commissioner Russ said that goal is specifically for the state to lease only about 15 percent of its total space in Franklin County. He said Franklin County is a difficult market. When the community overbuilds, the rates benefit the state; however, rentals rates here have been increasing in recent years. Additionally, the space is aging and becoming less usable, but new space of a size needed by the state is not

being constructed. He said 50,000 SF to 100,000 SF buildings are needed. Using smaller facilities results in the agencies being fragmented.

Commissioner Russ said out in the state, the Department's recommendation has been to use leased space because it is more flexible in its ability to meet changing needs such as downsizing, upsizing, and moving to better meet client and program needs. He said in larger areas such as Louisville, Lexington, and Northern Kentucky, there probably should be a mix of leased space and state-owned space.

In response to a further question from Senator Robinson, Commissioner Russ said the legislation allowing new construction to be offered as leased space has worked well.

Responding to questions from Mr. True, Commissioner Russ said the asbestos situation in the State Office Building is not dangerous at this time, but consultants indicate that it will eventually become a health concern. Mr. Mitchell said the desire is to do the asbestos removal and the renovation project when Transportation Cabinet employees vacate the building and before it is re-occupied. Completion of the asbestos abatement will render the building unusable without further renovation. The asbestos project will be designed, but will not proceed unless adequate funding has been identified in the 2004-06 budget to provide for the subsequent renovation so that at least a portion of the building can be put back in service.

Mr. Hintze asked the Finance Cabinet representatives to comment on the current moratorium on new leased space. Mr. Mitchell said the agencies understand the state's financial situation and are mainly delaying their requests. He noted that the Governor's executive order imposing a moratorium allowed for exceptions under special circumstances, while the budget bill language does not allow exceptions. He said this may be workable for the current biennium, but if the moratorium is extended, it should allow for exceptions if the agency has a compelling need.

Noting the large investment that has been made in planning and design for a new executive office building and renovation of the Capitol, Mr. Hintze asked about the shelf life of the work that has been completed. Mr. Mitchell said the executive office building design, which has been completed and is ready to bid, would probably be useable for another 10 years, with only minor changes. The Capitol renovation design is not as far along, and so would be completely re-usable. Commissioner Russ added that the need to do the projects is more urgent than the shelf life of the plans.

Natural Resources and Environmental Protection Cabinet – Secretary Hank List reviewed the handout describing the Cabinet's priorities that had been distributed to members. While not a project listed in the plan, Secretary List noted the Cabinet is also proposing a consolidation of its Frankfort offices from multiple locations (itemized in the handout) into the Construct Sower Boulevard Office Complex #1 project that is listed in

the plan submitted by the Finance and Administration Cabinet. He specifically noted that there are concerns about subsidence at one of the leased facilities on Schenkel Lane.

Following the presentation, Mr. Hintze noted that this Cabinet is the “poster child” for what should be done relative to the state constructing a building so that agencies can be moved out of leased space and consolidated into a single location to achieve both cost and management efficiencies. He said the Board had previously made this recommendation, and it is something that needs to be addressed again.

With regard to the proposal for a new tree nursery, Mr. Hintze explained that the Finance and Administration Cabinet administers a pool of funds for statewide land acquisitions, which might be accessed for the land acquisition portion of the project.

Department of Education – Since the Department chose not to make a presentation on its plan, CPAB staff included in its presentation an overview of the proposed projects and indicated that Robin Kinney, Associate Commissioner for Internal Administration and Support, was in attendance to respond to any questions. There were no questions.

Department of Veterans Affairs - Commissioner Les Beavers described the operating responsibilities and the status of the capital projects of the three sections of the Department of Veterans Affairs – nursing homes, cemeteries, and benefits. He then reviewed the projects listed in the Department’s capital plan. With regard to the proposed cemeteries for eastern Kentucky, he noted that requirements for federal funding require that the land already be deeded to the state, that 80 percent of the design be completed, and that a commitment to operating funds be made in the state’s operating budget.

Representative Clark asked if the federal government provides funds for maintenance of the nursing home facilities. According to Commissioner Beavers, the only federal funding is for the daily cost of care. Mr. Hintze noted that the Department of Veterans Affairs is among the few major facilities owners in state government that do not have a state funded maintenance pool.

Noting that other agencies are also interested in the (federal) Department of Veterans Affairs (VA) facility on Leestown Road in Lexington, Mr. Mitchell asked about the timetable for the federal review of that property. Commissioner Beavers said the hearing will be held in Lexington on September 8. After input is received nationwide, the VA Secretary is to make a decision regarding accepting or rejecting the entire national plan for closing/realignment of VA facilities.

Representative Clark thanked Commissioner Beavers for his commitment to Kentucky’s veterans.

Kentucky Lottery Corporation (KLC) - Since the KLC chose not to make a presentation on its plan, CPAB staff included in its presentation an overview of the proposed projects. All KLC projects are financed from Lottery revenues. Harvey Roberts, Sr. Vice President and Chief Information Officer, and Howard Kline, Sr. Vice President and Chief Financial Officer, addressed questions from the Board.

In response to Ms. Northern's question about the project to acquire the property adjacent to the KLC headquarters, Mr. Kline said there are no plans to acquire the property at this time but the project seeks authority for the KLC to do so if the property is available and needed in the future. He also noted that lease costs for two of the regional offices has been reduced since the last plan submission.

Responding to questions from Representative Clark, Mr. Kline said last year the KLC set records for both sales and the amount returned to the state, but there will be some serious challenges ahead with Tennessee's lottery beginning in the third quarter of this fiscal year. Approximately 11 percent of Kentucky's sales are in Tennessee.

Kentucky River Authority – Steve Reeder, Executive Director, explained that recent legislative changes had directed the agency's mission specifically in the area of water supply. He then provided an overview of the Authority's plan focusing on the projects currently in process – and for which additional funding will be required - to address Dam 9 (100 percent state funding) and Dam 10 (80 percent federal / 20 percent state funding). He also noted the new proposal in this plan to use KRA-generated funds to establish a maintenance pool to deal with unanticipated needs of the dams.

In response to Representative Clark's question about the impact of the failure of a dam, Mr. Reeder said the worst scenario would be for something to happen to Dam 9, which serves between 400,000 and 500,000 users in the Lexington area. He said a remediation plan has just been completed to address potential structural failures.

After recessing for lunch at 12:45 PM, the meeting was called back to order at 1:30 PM.

Tourism Development Cabinet – Secretary Ann Latta said the six-year plan addresses the Cabinet's mission which focuses on the strategic role of travel and tourism in enhancing the economic vitality of Kentucky. It addresses upgrading, improving and maintaining existing operations as well as providing new attractions to keep the audience growing. Secretary Latta reviewed the top priorities for state funds, which include construction of a new indoor arena at the Kentucky Horse Park, renovation of the East Wing/East Hall at the Kentucky Fair and Exposition Center (KFEC), and additional funding to complete six Department of Parks golf courses. She then introduced representatives of the agencies in the Cabinet who were available to respond to specific questions.



Mr. True asked what percentage of the operating and maintenance costs of the Department of Parks' golf courses is financed from user fees. Bob Bender, Deputy Commissioner of the Department of Parks, replied that overall, the golf course operating and maintenance costs are covered by revenues from fees. Historically, the 18-hole courses have been self-supporting and have generated a profit, and the early indications are that the new 18-hole courses will do so as well. Several of the nine-hole courses have historically operated at a small loss. Major capital improvements for the courses are financed from state funds. In response to a further question, he said the fees are reviewed on a continuing basis and are comparable and competitive with similar private and public facilities.

Mr. Hintze asked for additional information on the proposed public/private partnerships at Green River and Taylorsville Lake. Mr. Bender said the Green River partnership is not contingent on the \$2,000,000 state-funded infrastructure project that is proposed in the plan, but the developer indicates the city and county will have to fund a golf course in order for private lodge and cottage development to be undertaken. With regard to Taylorsville Lake, Mr. Bender said documentation is being reviewed by counsel in the Tourism Development and Finance and Administration Cabinets. He said both projects have a very good chance of moving forward.

Noting the 2002-04 budget requires the State Fair Board to use restricted funds for debt service on a major construction project (South Wing C expansion), Mr. Mitchell asked if other similar facilities finance major projects with facility-generated funds and whether using this approach would have a negative impact on the KFEC's competitiveness. Harold Workman, Chief Executive Officer of the State Fair Board (SFB), said in most cases agency receipts are not used elsewhere to finance capital construction projects. The SFB annually reviews its charges and fees, and even with recent increases, the KFEC is still in the middle-to-low end relative to customer charges.

Responding to Representative Clark's question as to whether the new expansion would generate enough revenue to finance the debt service on the project, Mr. Workman said they do not know if it will generate enough direct income for this purpose. However, the overall economic impact of this project together with the proposed East Wing renovation will be approximately \$200,000,000.

Mr. Hintze noted the Board's current and historic interest in establishing pools of funds for maintenance needs of state facilities. He explained that in the 1990's in conjunction with a major bond issue to address accumulated maintenance needs of the Kentucky state parks, a Parks Capital Maintenance and Renovation Fund had been established by statute. Such a pool is unique in state government. He then asked Mr. Bender to elaborate on the pool and recent activity relating to it. Mr. Hintze said he

wanted the Board to be aware that even if funds are set aside specifically to address maintenance issues, there is the possibility they will be taken for other purposes.

Mr. Bender said funding in the pool is derived from increases in fees and charges at the state parks as designated by the Commissioner for this purpose. It amounts to approximately \$1,200,000 annually. The pool is to be used to finance maintenance needs at the parks with the intent that the Department would not have to seek a major infusion of funds in the future to address accumulated needs. However, the 2002-04 state budget authorized the use funds from the pool to cover costs of operating the parks and for FY 2003/04, the Department has asked that \$1,000,000 from the pool be moved to the agency's operating budget to allow it to begin the year with a balanced budget. Mr. Bender said the Department believes the pool as initially established is a good concept, but moving funds from it to address operating costs will result in maintenance needs being neglected.

Personnel Cabinet – Secretary Carol Palmore reviewed the priorities in the Cabinet's plan, particularly focusing on the project to replace the Commonwealth's personnel payroll system (approximately \$45 million). She noted that acquiring a system newly developed by the vendor who furnished the Management and Administrative Reporting System (MARS) for the state might cost only \$25 million.

Mr. Hintze asked about the proposed three-year implementation of the personnel-payroll project. Secretary Palmore said benefits of the new system would not be available until it is completed, rather than at the end of each year. Extending the implementation period would create potential problems due to updates that would be forthcoming during the implementation period. However, if full funding was provided as a single appropriation, it would still take at least 24 months to implement the system. Responding to a question from Mr. Mitchell, Secretary Palmore said there are three or four off-the-shelf products that could address this state need.

In response to Representative Clark's question, Secretary Palmore said the Enterprise Time Reporting System listed in the plan submitted by the Governor's Office for Technology (GOT) is unrelated to the replacement personnel payroll system. The time reporting system would be for GOT's use only. However, the project points to a problem that is occurring throughout state government as agencies acquire separate systems since there is not an integrated statewide system that addresses their needs.

Revenue Cabinet – Secretary Dana Mayton reviewed the projects listed in the Cabinet's plan. She explained that all three relate to the use of technology to fulfill the mission of collecting taxes that are owed to the Commonwealth. Following her presentation, Senator Robinson noted that it is important for the Cabinet to have the resources necessary to do its job so that all who owe taxes to the state are paying them.

Mr. Mitchell asked whether implementation of the streamlined sales tax simplification system project in 2004-06 is necessary in order to comply with congressional requirements regarding the streamlined sales tax project in which Kentucky is a participant. Secretary Mayton said the necessary states have approved the streamlined system to trigger its implementation. It is hoped that Congress will require retailers to collect and remit taxes on internet sales now that that process has been streamlined. A previous US Supreme Court ruling prohibited such collections because of the burden it would impose. However, regardless of the national project, Secretary Mayton said Kentucky's current sales tax system is so antiquated that it will be difficult to accommodate some changes in Kentucky law that were approved by the 2003 General Assembly.

Secretary Mayton indicated that she would have to check further in order to address Mr. Mitchell's question as to whether the streamlined sales tax project would generate enough additional revenue in a biennium to cover its cost.

Department of Military Affairs - General Barker reviewed a handout provided to members which addressed the Department's maintenance management concerns (including a \$16 million backlog of maintenance needs), as well as the long-term funding trends. He then described each of the agency's priorities for 2004-06.

In response to Senator Robinson's question, General Barker said none of the federal homeland security dollars coming into Kentucky can be used for projects listed in the six-year plan. He noted that most of the funds are going to the counties.

Mr. True asked several questions about the state's role and the long-range plans for Bluegrass Station. He particularly expressed concern about the proposal for \$19,000,000 in state funds to address infrastructure needs, rather than using facility-generated funds for this purpose. General Barker said the state took over Bluegrass Station in the mid-90's in order to avoid losing over 700 jobs at the site. The Department's involvement related to the hope that the installation could be used by the National Guard, but such use was precluded by the federal government. Currently, there are approximately 1,500 private sector jobs at Bluegrass Station.

Mr. Hintze explained that the premise under which the state took over Bluegrass Station was that it would be self-sustaining. To provide state funds, as is being proposed, would set a new precedent. He said it is unusual to have the Department of Military Affairs as the landlord of such a facility, but they have been good stewards of the property and have good relationships with the various federal defense contractors housed there. He said that the issue of who should operate Bluegrass Station may be ripe for a review by CPAB and the General Assembly working together with the Finance and Administration Cabinet, the Department of Military Affairs, and other affected entities.

In response to Mr. Vanhook's question about the apparent high cost of the re-roofing sections of Bluegrass Station, Facilities Management Commissioner Russ said the roofs needed to be addressed at the time the buildings became the responsibility of the state. The roof failures have caused significant structural damage to the underlying beams such that more than just the roof must be addressed. Mr. Vanhook said this further supports the Board's position that funding maintenance and preventive maintenance is vitally important.

Justice Cabinet – Deputy Secretary John Lile reviewed the plan for the Secretary's Office/Department of Administration which consisted of a single project for the Medical Examiner's Office.

In response to Mr. Hintze's question about the proposed construction of a Medical Examiner's Office in Louisville, Tracey Corey, Kentucky's Chief Medical Examiner, said a free-standing facility is envisioned and since the Department of State Police is also proposing a new Jefferson County lab, the ideal would be to have both in the same facility. Responding to a further question from Mr. Hintze, Ms. Corey said the equipment in the Medical Examiner's Office in Central Laboratory is essentially new compared to its other labs in the state. The only need is for upgrades on some histology equipment.

Deputy Secretary Lile then introduced Ken Dressman, Deputy Commissioner of Support Services, to review the plan for the Department of Corrections. Mr. Dressman explained that the Department focuses on two issues relative to the state's felon population – incarceration of inmates and supervision of those on parole or probation. The Department's six-year plan is driven by projected needs for additional space for incarceration, as well as the need to maintain existing facilities. He reviewed the Department's existing space, then detailed the proposals for the six-year period that would address the need for bed space to house the projected increase in the felon population.

Mr. Fletcher asked if any effort is made to obtain reimbursement from inmates for room and board costs. Mr. Dressman said there has been some success in collecting a medical co-pay from inmates, but most inmates are indigent and cannot pay other costs. Requiring payment would require a judicial decision as to how much they should be expected to pay. Judge Wehr said the only such programs he is aware of are at the misdemeanor level in alternative sentencing programs where individuals remain in the community.

Mr. True noted that former CPAB member Judge Edwin White had routinely told the Board that unless laws are changed, the state will be unable to construct enough prisons to house all of the offenders. Mr. True then asked if the Justice Cabinet plans to make any recommendations to the upcoming General Assembly with regard to alternatives to incarceration.

Mr. Dressman explained that drug use is a large part of the problem. A recent University of Kentucky study indicated that 60 percent of the felon population meets the clinical definition for substance dependency. However, there are few resources available for treatment. Deputy Secretary Lile said the Justice Secretary and Commissioner of Corrections had visited Missouri to look at some community-based corrections programs. He confirmed that the core problem is drugs, with 70 percent of the felon population being under the influence of alcohol or drugs at the time they committed a crime.

In response to further questions, Mr. Dressman said the average annual cost of housing an inmate is \$16,000 excluding any capital costs. Alternative programs often cost \$2,000 to \$3,000 annually. Judge Wehr cited the success of a community corrections program in Northern Kentucky that operates at a very low cost.

Senator Robinson said there should be ways to use technology to result in savings to the system, but the victim must not be forgotten in the process. Deputy Secretary Lile said the importance of protecting public safety will always be the major consideration, but they will also explore alternative strategies that may be available.

Major Rob Miller was next introduced to present the plan for the Kentucky State Police (KSP). He explained that a major group of projects addresses technology needs, and there may be funding sources other than state funds for some of those projects. He then described two other top priorities of the KSP – a new academy / training facility and a new building for computer technologies.

Responding to Mr. Mitchell's question about the status of relocating the KSP laboratory from its current space in a state-owned building in Ashland, Major Miller said that move is on hold. Facilities Management Commissioner Russ said the building is in very poor condition and the state plans to dispose of it. This will require relocation of the lab into leased property, which will involve fit-up costs. An initial effort was unsuccessful, but they hope to have a site available by early next year.

Mr. Hintze noted the several proposals for new state police labs to replace existing space. He also referenced recent publicity about problems with backlogs at the labs and asked if that is solely a manpower issue or if it is also a capital-related issue. Judge Wehr said the primary problem is that the DNA testing takes too long. Charles Cornett, KSP Governmental Affairs Branch Manager, said the problem is primarily due to the lack of personnel. However, they also lack sufficient space particularly in London and Madisonville. Additionally, the condition of the Ashland facility will require that location to be addressed. Mr. Cornett added that the Frankfort Central Lab is also becoming crowded and needs to be expanded relative to DNA testing.

In response to a further question from Mr. Hintze, Mr. Lile said the proposed new academy (Kentucky Public Safety Training Center) would be constructed on a site adjacent to the Department of Criminal Justice Training (DCJT) facilities at Eastern Kentucky University (EKU) in Madison County, rather than in Franklin County as reported in the initial plan submission.

Mr. Jackson asked about funding for maintenance and operations expenses if a new KSP academy is constructed on the EKU campus. Deputy Secretary Lile explained that the committee initially developing the Public Safety Center proposal discussed with EKU the possibility of using land recently acquired by the University south of the DCJT facilities. The proposed complex would first house the KSP academy and eventually training facilities for other Justice agencies in order to facilitate cross training. The focus is now on the academy because of the KSP's dire need for a professional training facility. Mr. Hintze said since the KSP headquarters would remain in the Versailles Road facility in Frankfort, there would be little maintenance funding to move with the academy. A variety of sources could be considered for the new funding, including amounts from the Kentucky Law Enforcement Foundation Program Fund (KLEFPF).

Responding to Senator Robinson's questions about the potential for using facilities at Fort Knox for training, Major Miller said the KSP is using one of the Fort Knox firing ranges and special response teams train there.

Commissioner Ron Bishop was introduced to address the 2004-2010 capital plan for the Department of Juvenile Justice. He briefly reviewed the status of the statewide detention plan developed in the 1990's, which calls for a total of ten state detention facilities. He also briefly expressed concerns about the potential for legislation that would allow the continued use of county facilities to house juveniles, since that would entail both paying subsidies to the counties and funding operations of the state system. He noted that the county facilities are often subpar and the environment is not appropriate for juveniles.

In response to Mr. True's question, Commissioner Bishop said the state has a total of 500 detention beds and the average occupancy is currently 75 percent. Given this excess capacity, it would be counterproductive for the state to pay for county beds when there are beds available in the state system.

The capital plan of the Department of Criminal Justice Training was presented by Deputy Commissioner Herb Bowling. Representative Clark asked if the proposed firing and driving ranges would also serve the needs of a Kentucky State Police academy at EKU. Commissioner Bowling said the expanded facilities would be adequate to accommodate KSP as well as any other public safety entities to be housed at the proposed Public Safety Training Complex that would be constructed on the 140 acres that EKU is

offering for that purpose. Deputy Secretary Lile noted that part of the concept of the complex would be to have shared facilities.

Governor's Office for Technology (GOT) – After noting the increased focus on information technology she has seen in the agency capital plans during her five-year tenure, Aldona Valicenti, Kentucky's Chief Information Officer, presented the capital plan of the Governor's Office for Technology. She explained the goals are to keep everything running, to keep an eye on the future, to keep us safe, and to participate in keeping the state and nation safe. She identified the five categories of projects in the GOT plan – protection of the infrastructure (e.g., disaster recovery, security), public safety interoperability involving the KEWS network, the Unified Criminal Justice Information System, geographic information system, and items for the state data center (to be financed from restricted funds).

Ms. Valicenti then discussed the process and criteria used to develop the prioritized list of recommendations on projects submitted in the various agency plans, as provided in a separate report to the Board. (This did not include projects of the postsecondary institutions which are being reviewed by the Council on Postsecondary Education.)

Mr. True expressed concern that no information technology projects have been proposed to address case management. While noting that projects have been proposed to address needs of the justice system and revenue collections, he emphasized that there is also a need to link the various different systems that serve needs of the mentally ill, the handicapped, and the elderly. He said he hopes progress can be made in this regard in the next few months.

Mr. Hintze asked Ms. Valicenti for suggestions and recommendations on options Kentucky might consider to address the large information technology needs that had been presented in the various agency plans. Addressing specifically the GOT plan, Ms. Valicenti said that if funding cannot be provided to convert the KEWS infrastructure to a digital system, a totally different approach will be needed. She explained that Florida sold its cell towers to a private vendor and is buying back services. She said there are also other projects in the GOT plan that need to be done from a stewardship perspective.

Responding to Mr. True's question about the EMPOWER Kentucky project which had provided funding to re-engineer state government and, where appropriate, implement technology solutions to improve service delivery, Ms. Valicenti said projects were completed, and amounts have been returned to the General Fund. Mr. Hintze added that the office has been renamed the EMPOWER Kentucky Center for Excellence in Government and still has a small staff available to provide consulting services for agencies consistent with the initial focus of the project on improving service delivery.

There being no further discussion, the first day of the meeting was recessed at 5:10 PM.



The meeting reconvened at 9:00 AM on Friday, August 1. Representative Clark noted that Danny Shearer, Deputy Secretary of the Finance and Administration Cabinet, and Facilities Management Commissioner Armond Russ would be representing Board members Glenn Mitchell and Lou Karibo.

Representative Clark asked CPAB Staff Administrator Pat Ingram to proceed with the overview information for the day's meeting. Ms. Ingram outlined the agenda and reviewed the materials that had been provided to members regarding the capital plans of the postsecondary institutions. She described the pools that had been provided for maintenance projects at the institutions in the 1998-2000 and 2000-02 budgets as well as the agency bond pools, and the funding that has been allocated through the Office for the New Economy. Regarding trends or issues in the postsecondary plans, Ms. Ingram noted there are several projects that had Phase I funding in the 2000-02 budget, various projects that use funding or construction approaches that are outside the usual state processes, and a number of projects that would be collaborative efforts between institutions.

Eastern Kentucky University (EKU) – Dr. Doug Whitlock, Vice President for Administrative Affairs, said the focus of EKU's plan is on projects to better serve students, to address the economic development goals of the state, and to increase access to postsecondary education. He then reviewed EKU's top priority projects, and said the plan will be amended to move the proposal to construct a facility in Manchester from the second biennium to the first biennium of the planning period.

Addressing Mr. True's question about EKU proposals for new projects while the CPE space planning guidelines show the institution to have a surplus of space, Dr. Whitlock said often the issue is that the existing space is not where it is needed or is not the type of space that is needed. He cited the recent needs at EKU to provide increased office space for faculty and staff, and to increase space to accommodate new technology. Mr. Jackson confirmed that the CPE guidelines simply measure the total space available and do not consider the quality of the space or the purpose for which it is needed.

In response to Mr. Hintze's question about the two-phase Business and Technology Center project, Dr. Whitlock said Phase I will be constructed and functional even if Phase II is not authorized as proposed in the 2004-06 biennium. Responding to further questions from Mr. Vanhook, Mr. James Street, Director of EKU's Division of Facilities Services, added that the footprint for the entire facility has been planned and the building infrastructure will be expandable in anticipation of Phase II.

Noting the high priority CPAB has placed on addressing maintenance needs, Mr. Jackson asked if EKU regularly includes funds in its operating budget for capital renewal. Dr. Whitlock said that had been done in the past, but was more difficult recently due to budget difficulties. He added that previously when EKU issued bonds and the authorized

project could be completed at a lower cost, the University was able to use the residual bond funds for capital renewal projects. However, the state's current approach of packaging various projects into a State Property and Buildings Commission issue had eliminated that flexibility and thus the incentive to bring a project in under scope. As one way to provide funding for capital renewal, Mr. Whitlock suggested allowing an institution to continue to receive some or all of the funds being appropriated for debt service even after the bond issue is paid for.

Mr. Jackson asked if ECU had identified any space that would be taken off-line when a new project was completed. Dr. Whitlock said that has happened in some instances, but new uses have been identified for the major facilities to be vacated as a result of the proposed new construction projects.

Mr. Fletcher asked about the justification for constructing buildings away from the main campus, especially given the technology that is now available. Dr. Whitlock explained that such facilities address student demand and that in many instances the students - predominately women - are placebound. He said using technology is not always the most economical or the best approach. Senator Robinson said he believes taking educational services to the people where they are, needs to be encouraged and supported.

Kentucky Community and Technical College System (KCTCS) – President Michael McCall noted that the KCTCS plan reflects the prioritization of projects submitted by 16 administrative entities, which are comprised of 52 KCTCS campuses throughout the state. He said the plan focuses on four major categories of projects – infrastructure (particularly information technology), cooperation with other Kentucky postsecondary institutions, consolidation and merger of the KCTCS institutions, and needed renovations. President McCall then discussed the top priorities in the KCTCS plan.

Responding to a question from Mr. Fletcher about providing similar services at multiple locations, President McCall said the concept of regional postsecondary education centers involving KCTCS and four-year institutions, as established in the 1998-2000 budget, is working very well. He added that KCTCS students commute rather than reside on campus, so providing relatively close access is important or the students will not come.

Mr. True asked about management when there are both community and technical colleges in an area. President McCall said that instead of 28 separate units, mergers have resulted in 16 districts statewide, which has provided for cost avoidance and administrative efficiencies. In response to further questions from Mr. True, President McCall said KCTCS has a great working relationship with the eight four-year institutions relative to both the transfer of credits and the sharing of space. He said KCTCS is

working on plans to regionalize some programs, particularly high cost programs or specialized areas.

In response to Mr. Hintze's question about whether KCTCS has plans to vacate any facilities or sites, President McCall said there are some facilities that need to be razed. He cited examples in Northern Kentucky, Owensboro, and Madisonville, and said being able to do some master planning would help with this effort.

Mr. Jackson asked about KCTCS funding for maintenance. President McCall said a recurring amount (currently \$2.5 million annually) is budgeted in the KCTCS operating budget for capital renewal.

Relative to Mr. Vanhook's questions about the space guidelines, President McCall noted that KCTCS's position is that the calculation should differ for KCTCS which uses its facilities from 8:00 a.m. until 10:00 p.m. as compared to residential institutions which tend to use their academic facilities for a shorter period each day.

Senator Robinson urged President McCall to remember that KCTCS serves two functions and not all students should be required to complete the same academic requirements, particularly those who are specifically seeking vocational training.

Kentucky State University (KSU) – After opening remarks about the institution and its mission by Interim President William Turner, an overview of the capital plan was provided by Michele Brown-Rall, KSU's Director of Facilities Management. She reviewed a handout, which outlined recent capital improvements and work in progress, and projects proposed for 2004-06.

Following the presentation, Mr. True asked the status of Kentucky's compliance with the agreement with the Office of Civil Rights. Mr. Jackson explained that the Commonwealth had committed to the renovation of two academic facilities - Hathaway Hall and Carver Hall. Both have received state funding, but additional funds are proposed in 2004-06 for the Hathaway Hall project. The Commonwealth also committed to renovation of the Young Hall Dormitory. If an analysis indicates that KSU does not have the revenue stream necessary to issue agency bonds, the state may be asked to assist with the debt service costs.

Morehead State University (MoSU) – President Ronald Eaglin reviewed the MoSU plan focusing on the proposed Space Science Center, a facility for which a handout had been distributed to members.

Responding to questions from Mr. Jackson after his presentation, President Eaglin said MoSU had converted residence halls into other, more-needed types of facilities. Relative to maintenance needs, he said MoSU has a deferred maintenance plan and that

the recent matching pools for maintenance have been a good approach to help address the needs of the campus physical plants.

Murray State University (MuSU) – After providing some background statistics about the institution, President King Alexander said he recognized the funding constraints facing the state and the upcoming budget and would focus on MuSU's top priority. This project is the Science Building, for which Phase I is under construction and the second phase is proposed. Included is demolition of the existing science facility.

Responding to Mr. True's question, President Alexander said MuSU has approximately 1,300 students (of a total enrollment of approximately 10,000) taking courses at its four primary extended campus sites – Madisonville, Henderson, Hopkinsville, and Paducah. A previously proposed project to construct space in Henderson has been deleted from the plan due to the availability of adequate space in another facility.

In response to Mr. Vanhook's question about the Breathitt Veterinary Center (BVC), President Alexander said constructing a new facility and/or replacing the existing incinerator are high priorities. There is a possibility of getting federal Homeland Security funds because the BVC addresses food safety, water resource safety, and other related issues.

Northern Kentucky University (NKU) – Ken Ramey, NKU Vice President of Administration and Finance, said the institution is seeking to reconcile its financial and capital resources with the demands of its service region. Capital projects are not ends unto themselves but vehicles for NKU to support the continued quality of life, growth, and economic competitiveness of the region. He then referenced materials that had been distributed to the Board including a map from the campus master plan. After emphasizing that NKU has a space deficit, Vice President Ramey reviewed the top priorities in the plan focusing on the first priority which is renovation of the old science building. He also described the proposed regional special events center as being a project for the overall region, and explained that the proposal for a new student union building would be financed solely from student fees.

There were no questions for Vice President Ramey.

University of Kentucky (UK) – Referencing a handout provided to CPAB members, President Lee Todd said UK's plan priorities address the University's research mission particularly in the life sciences area, improving facilities and equipment to meet goals of the 1997 Postsecondary Education Improvement Act, and achieving the goal of becoming a top 20 research institution. He said projects in the plan also address life/safety, capital renewal, and infrastructure needs. Dr. Todd noted that capital planning at UK has been reorganized to bring all sectors of the campus into the same process, and

said the UK capital plan was developed for consistency with the institution's recently adopted strategic plan. He then reviewed the highest priority projects in the plan, especially the proposal for a biological/pharmaceutical complex.

In response to questions from Mr. True regarding funding for the proposed \$216 million hospital construction project, President Todd said some of the cost could be financed from existing reserves and the remainder would require the issuance of bonds with debt service paid from agency receipts.

With regard to Senator Robinson's questions about the proposed new pharmacy building, President Todd said increasing the class size from 88 to 100 recently was as much as the current building could handle. A new facility would allow for a class size of 140 to 160, which is a number the market could absorb.

Mr. Hintze asked how the Coldstream Research Campus figures into UK's plans. President Todd said it is most important to generate research activity on campus, which will then attract companies to invest in facilities at Coldstream. President Todd said basic small "spec" buildings could be provided for startup companies, but the plan and preference is for revenue-generating companies to construct their own space at Coldstream.

University of Louisville (UL) – President James Ramsey said much of the focus of UL is on research, particularly in the areas of health care, biosciences, and life sciences. He said the highest priority is for an additional research building that will house primarily oncologists and the cardiac program, and added that in order to recruit and hire researchers, UL must be able to provide appropriate space for their work. President Ramsey also noted that UL has an aging campus with numerous maintenance and renovation needs; he said the institution puts about \$3.5 million per year into deferred maintenance. Finally, he referenced the infrastructure issues to be addressed at the Shelby Campus, which is slated for development as a Business and Technology Park.

There were no questions for President Ramsey.

Western Kentucky University (WKU) – Dr. John Osborne, Associate Vice President of Campus Services and Facilities, described a recent consultant's report that rated the condition of the academic and support facilities on the WKU campus. It found 12 percent of the gross square footage to be in good condition, 24 percent to be in fair condition, and 64 percent to be in poor condition. WKU has a \$63 million backlog of maintenance needs, which Dr. Osborne said represents not neglect, but facilities and systems that have exceeded 90 percent of their expected useful life span. As such, he said deferred capital renewal and infrastructure needs must be the institution's highest priority. He then reviewed the top ten priorities in the WKU capital plan, but noted that

within that top ten, the priorities are essentially interchangeable depending on the particular situation at a given time.

Mr. Hintze observed that WKU has various projects that are also listed in the KCTCS plan, and asked how the priorities for these projects are set within the postsecondary education system statewide. Mr. Vanhook said he had also noted that the same projects had differing priorities in the two agency plans. Dr. Osborne explained that each institution must rank a project according to its own needs, mission, and objectives.

Responding to Mr. Jackson's comment that the CPE will develop a recommendation that addresses its priorities regarding the statewide needs of the postsecondary system, Mr. Hintze said his concern is that CPAB is at a disadvantage because it does not have the benefit of that list until after its recommendations have been completed.

Council on Postsecondary Education – Sherron Jackson, CPE Senior Associate for Finance and Equal Opportunities, reviewed two handouts that had been distributed to the Board. The first addressed CPE's overall direction and project needs as reflected in the agency's plan submission. Mr. Jackson reviewed the top priorities, which focus on enhancing the technology that is used to provide access to educational services through the Kentucky Virtual University and the Kentucky Virtual Library.

In his initial remarks regarding needs of the postsecondary education system statewide, Mr. Jackson reviewed the calendar under which CPE operates in preparing its capital budget recommendations and the conflicts between that calendar and the statutory calendar under which CPAB develops its statewide capital improvements plan.

Mr. Jackson then referenced the handout provided to members concerning systemwide issues. He said the overall direction of the CPE relative to capital focuses on maintenance of existing facilities, providing appropriate facilities for research, and addressing the need for student access.

He said success in achieving two the goals set forth in the 1997 Postsecondary Education Improvement Act – increased enrollment and increased research efforts – have had the effect of putting a strain on existing facilities and creating a need for new space.

Mr. Jackson briefly explained the Space Planning Guidelines used by the CPE to evaluate institutional space needs and said, as used in 2001, they identified the need for additional research space at UK and UL, support space at NKU and KCTCS (Henderson), and instructional space at Lexington Community College and KCTCS (Jefferson). The space model will be run again later this summer using more recent institutional data.

Mr. Jackson reviewed the categories of priorities to be used by the Council in making its 2004-06 budget recommendations; he noted that projects recommended by the CPE, which were not funded in the 2002-04 budget, would likely remain the priorities for 2004-06, but could be subject to some change.

In concluding his remarks, Mr. Jackson said there needs to be a statewide study of the capital renewal and deferred maintenance needs of the institutions. He recommended that the study be done and funded as a partnership between CPE and the General Assembly during the 2004-06 biennium. Mr. Hintze asked whether such a study should be confined to postsecondary education, or be expanded to address all state facilities and institutions. He noted that while more and better information is desired, the existing investment and already identified needs are overwhelming.

Mr. Hintze again noted that the CPAB calendar for development the statewide plan and the CPE calendar for making its budget recommendation do not mesh. He said that forces the Board in making its recommendations on individual projects and policies to rely more on the input of the individual institutions than he believes is desirable from a CPE vantage point or than was intended by the 1997 Postsecondary Education Improvement Act. He suggested statutory changes might be necessary in this regard. Mr. Jackson said he agreed with the concern expressed by Mr. Hintze, and said CPE would like to have more meaningful input and to work more cooperatively with CPAB.

Transportation Cabinet – Budget Director Debra Gabbard and Mike Molloy, Director of the Division of Property and Supply Services, reviewed the Transportation Cabinet Plan in which all of the projects are proposed to be financed from Road Funds. Mr. Molloy said the plan reflects four objectives – maintenance and repair of existing facilities, repair or replacement of aging structures (as identified based on a new in-house building assessment program), reduction of leased space, and elimination of wastewater treatment systems at Cabinet-owned sites by connecting to municipal systems. Noting that nine of the 12 projects proposed for 2004-06 are maintenance related, Ms. Gabbard re-iterated that the highest priority is the maintenance of existing buildings.

In response to a question from Mr. Hintze, James Ramsey, Chief Information Officer for the Transportation Cabinet, said it would take approximately 18 months to implement the proposed expansion of the Precon/6 Year Plan computer system (Priority #9 for 2004-06).

Education, Arts and Humanities Cabinet – Secretary Marlene Helm said the Cabinet prides itself on providing quality services in an efficient manner. She then noted that four agencies in the Cabinet had submitted proposed capital projects and reviewed the six projects as they had been prioritized by the Cabinet. The following agencies had proposed projects – Kentucky Historical Society, Kentucky Educational Television

(KET), The Kentucky Center (for the Arts), and the Kentucky Department for Libraries and Archives.

Representative Clark asked if KET's proposed technology projects are related to the federal mandate for digital service that was previously discussed. Sally Hamilton, KET's Deputy Executive Director for Administration and Support, said the federal mandate with regard to digital transmission was met with projects authorized in prior budgets. The current proposed projects address needs of the existing master control and production equipment for which replacement parts are difficult to obtain and that needs to be changed to digital.

Regarding the project to continue renovation of The Kentucky Center (for the Arts), Representative Clark noted the facility's importance to the community and to the state.

Mr. Vanhook referred to the project to expand the Department for Libraries and Archives building that is ranked as Priority #4 by the Cabinet. He commented on the importance of providing appropriate space for public records and described some of the poor conditions he had observed in local courthouses in that regard. Secretary Helm noted that despite the use of technology, the number of records has actually doubled since 1988.

There being no further business to come before the Board, the meeting was adjourned at 3:05 PM.